

NORTH IOWA REGIONAL HOUSING AUTHORITY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2015

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Kronlage & Olson, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Douglas E. Kronlage, CPA
John C. Olson, CPA

To the Board of Commissioners
of North Iowa Regional Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of North Iowa Regional Housing Authority as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the North Iowa Regional Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Iowa Regional Housing Authority, as of September 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Iowa Regional Housing Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and the Financial Data Schedule, required by the Department of Housing and Urban Development, Real Estate Assessment Center are not required parts of the basic financial statements.

The schedule of expenditures of federal awards and financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and financial data schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, on our consideration of the North Iowa Regional Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Iowa Regional Housing Authority's internal control over financial reporting and compliance.

Kronlage & Olson, P.C.

Charles City, Iowa

June 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Iowa Regional Housing Authority (NIRHA) operates two Department of Housing and Urban Development (HUD) programs, providing income-based housing and rental assistance to lower income families residing in the northern Iowa counties of Cerro Gordo, Floyd, Franklin, Hancock, Kossuth, Mitchell, Winnebago, and Worth. Although located within the above mentioned counties, the incorporated cities of Charles City, Mason City, and Riceville receive assistance from other housing authorities, and residents of those three communities are ineligible for assistance from NIRHA. A governing board, consisting of commissioners appointed by supervisors of each of the eight counties, hires an Executive Director to oversee the daily management of the housing authority and to supervise the administrative and maintenance staff as they work toward achieving the housing authority's goals and mission.

The mission of the North Iowa Regional Housing Authority is to assist low-income families with decent, safe, and affordable housing opportunities as they strive to achieve self-sufficiency and improve the quality of their lives. The Housing Authority is committed to operating in an efficient, ethical, and professional manner. The Housing Authority will create and maintain partnerships with its clients and appropriate community agencies in order to accomplish this mission.

The Public Housing (PH) Program provides assistance for low income families, elderly, and disabled persons in rental units owned and managed by NIRHA. Properties are located in ten northern Iowa communities. The units are designed to blend into and complement their respective neighborhoods. The units vary in bedroom sizes and range in style from duplexes and multi-family town houses with separate entrances to a multi-level apartment building. Tenant rents are income-based at approximately 30% of income. Rental income is generally insufficient for NIRHA to operate the properties, and HUD operating subsidies are used to provide a significant portion of the revenue gap. Capital improvement grants from HUD permit NIRHA to maintain the physical structure of the buildings and improve energy efficiency.

The Housing Choice Voucher (HCV) program is designed to enable elderly, disabled, and low income families the opportunity to rent decent, safe, and sanitary housing. The HCV program permits participants to rent an apartment or house from the private rental market. Participants' rent is income-based and initial lease-up rent does not exceed 40% of their adjusted monthly family income. Participants pay their portion of the rent to their landlords, and the balance of the rent is paid by NIRHA directly to the landlords. HUD subsidizes 100% of the landlord payments made by NIRHA. HUD also provides an administrative fee grant to NIRHA to defray costs of administering the program.

Operating and financial data for both the PH and HCV programs is closely monitored by HUD via monthly and annual reporting. HUD reporting also includes tenant income eligibility and family data. On-site compliance reviews are periodically scheduled by HUD to validate report data and to insure program integrity.

North Iowa Regional Housing Authority's performance and goals are dedicated to complying with program administration regulations. NIRHA has developed a system of internal procedures to ensure that expenditures represent allowable costs and are properly documented and approved. Procedures also ensure that calculations related to rent subsidies are accurate and in accordance with federal regulations. Additional procedures are in place to ensure NIRHA is in compliance with state and local laws. Policies are continually reviewed for legal and regulatory changes as well as changes in circumstances.

NIRHA depends exclusively upon federal funding. The commissioners and management of NIRHA continually monitor funding trends and make adjustments necessary to maintain financial stability.

2015 FINANCIAL INFORMATION

The following pages contain a narrative overview and analysis highlighting key financial activities for the fiscal year ended September 30, 2015, with comparative data from the fiscal year ended September 30, 2014. We encourage readers to consider this information in conjunction with the housing authority's audited financial statements.

The accompanying audited financial statements were prepared using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The *Statement of Net Position* presents all of NIRHA's assets and liabilities, with the difference between the two reported as "net position." Increases or decreases in net position may, over time, serve as a useful indicator of whether the financial position of NIRHA is improving or deteriorating.

A new accounting pronouncement from the Government Accounting Standards Board (GASB) went into effect during the 2015 fiscal year. The new accounting standard was implemented to improve information regarding unfunded pension liabilities in the Iowa Public Employees Retirement System (IPERS). Details of the new standard are provided in Note 11 to the Financial Statements. As a result of GASB 68, additional pension related accounts were added to the general ledger, along with a restatement of the prior year net position. The Iowa Auditor of State provided details of contributions to IPERS, and that data was used to determine the accounting entries for NIRHA. GASB 68 had a major effect on the financial statements, and the reader is advised to take this into account when comparing statements to prior years.

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 539,997	\$ 833,855
Capital assets	3,288,478	3,338,887
Deferred outflow of Resources	<u>72,046</u>	<u>0</u>
Total assets and deferred outflow of resources	<u>\$3,900,521</u>	<u>\$4,172,742</u>
Short-term liabilities	\$ 73,278	\$ 75,176
Other liabilities	21,382	20,684
Net pension liability	167,085	0
Deferred inflow of resources	<u>88,339</u>	<u>0</u>
Total liabilities and deferred inflow of resources	<u>\$ 350,084</u>	<u>\$ 95,860</u>
Net position:		
Net investment in capital assets	\$3,288,478	\$3,338,887
Restricted	15,009	41,206
Unrestricted	<u>246,950</u>	<u>696,789</u>
Total net position	<u>\$3,550,437</u>	<u>\$4,076,882</u>

- The major component of assets is the investment in land, buildings, improvements, equipment, and construction in progress, net of depreciation. The agency spent funds on building improvements during the year, without having received capital funding for the projects. Current and other assets of \$540,000 comprise a second asset component, and cash and investments represent the majority of that component. The building improvements were the primary reason for the decline in cash.

- Short term and other liabilities are comprised mostly of vendor accounts payable, tenant security deposits, tenant prepaid rents (credit balances), and accrued expenses. Those accounts are comparable to prior years. NIRHA is fortunate to have no long-term debt.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how net position changed during the most recent fiscal year, and compares the data to the prior fiscal year. All changes in net position are reported when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not impact cash flow until future fiscal periods.

	<u>2015</u>	<u>2014</u>
Revenue by source		
Rents	\$ 175,932	\$ 174,269
Grants and contributions	1,555,758	1,554,748
Miscellaneous	<u>13,103</u>	<u>18,534</u>
Total revenues	<u>\$1,744,793</u>	<u>\$1,747,551</u>
Expenditures		
Administration	\$ 432,930	\$ 424,852
HAP payments	1,102,953	1,138,539
Depreciation	304,033	294,273
Maintenance and other	222,212	237,031
Miscellaneous	<u>25,400</u>	<u>17,345</u>
Total expenses	<u>\$2,087,528</u>	<u>\$2,112,040</u>
Non operating revenues (expenses)		
Capital contributions	\$ 32,188	\$ 245,857
Other	<u>2,126</u>	<u>2,498</u>
Total non operating revenues	<u>\$ 34,314</u>	<u>\$ 248,355</u>
Change in net position	\$ (308,421)	\$ (116,134)
Net position at beginning of year	4,076,882	4,193,016
Restatement of prior year due to GASB 68	<u>(218,024)</u>	<u>0</u>
Net position at end of year	<u>\$3,550,437</u>	<u>\$4,076,882</u>

- Rental income from tenants residing in the public housing units owned by the housing authority, plus grants from HUD, represent the majority of the operating revenue of NIRHA. All sources of revenue remained fairly stable during the current fiscal year.
- Payments to landlords for tenants participating in the HCV program constitute the single largest operating expense. Administrative expenses, PH maintenance expenses, and depreciation comprise most of the remaining operating expenses and remained stable compared to the prior year.
- Maintaining full occupancy in public housing units is an on-going challenge. Rental income is subject to the ebb and flow of tenant income, tenant turnover, and changing market conditions.
- NIRHA has strived to maintain close to the maximum number of HCV units permitted by the agency's contract with HUD. As the number of program participants increases, the dollar amount expended to landlords also increases. HUD provides funding based upon the number of HCV tenants and the dollar amount paid to landlords, so as expenses increase, revenues also increase. Likewise, HUD provides an administrative grant to operate the program, and the grant is based directly upon the number of units served.

- NIRHA adopts annual operating budgets for the PH and HCV programs based upon expected federal grants awarded. All budgets are prepared on a basis prescribed by HUD which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year-end. It is often difficult to anticipate changing economic conditions which impact tenant incomes and thereby impacting the housing authority's budget. It is also difficult to predict funding amounts from HUD, since federal budget and grant information frequently have not been available until three to six months into NIRHA's fiscal year. NIRHA continually searches for cost saving measures to minimize the effects of uncontrolled revenue reductions.

The financial reports are designed to present our citizens, taxpayers, customers, investors, creditors, and other users with a general overview of the housing authority's finances and operating activities. If you have any questions or require additional information, please contact:

North Iowa Regional Housing Authority
202 1st St., S.E., Suite 203
Mason City, Iowa 50401
641-423-0897

NORTH IOWA REGIONAL HOUSING AUTHORITY
Statement of Net Position
Year Ended September 30, 2015

	<u>2015</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 393,244
Investments	126,585
Receivables:	
Accounts receivable-Tenants	2,569
Accrued interest	16
Prepaid expenses	17,583
Total current assets	<u>\$ 539,997</u>
Non-current assets:	
Capital assets:	
Land	\$ 915,268
Buildings and improvements	6,859,036
Equipment	337,393
Leasehold improvements	4,674
Total capital assets	\$8,116,371
Less accumulated depreciation	4,827,893
Net capital assets	<u>\$3,288,478</u>
Total non-current assets	<u>\$3,288,478</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	\$ 72,046
Total assets and deferred outflows of resources	<u>\$3,900,521</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 10,723
Accrued expenses:	
Payroll	11,125
Compensated absences	8,565
Other	9,922
Deferred revenue	1,693
Security deposits	31,250
Total current liabilities	<u>\$ 73,278</u>
Non-current liabilities:	
Accrued compensated absences	\$ 21,382
Net pension liability	167,085
Total non-current liabilities	<u>\$ 188,467</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension related deferred inflows	\$ 88,339
Total liabilities and deferred inflows of resources	<u>\$ 350,084</u>
NET POSITION:	
Net investment in capital assets	\$3,288,478
Restricted	
Expendable	15,009
Unrestricted	246,950
Total net position	<u><u>\$3,550,437</u></u>

See Notes to Financial Statements.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2015

	<u>2015</u>
Operating Revenues:	
Rent	\$ 175,932
Grants and contributions	1,555,758
Miscellaneous	<u>13,103</u>
Total operating revenue	<u>\$1,744,793</u>
Operating Expenses:	
Administrative	\$ 432,930
Utilities	30,855
Maintenance	191,357
Depreciation	304,033
HAP payments	1,102,953
Tenant services	1,815
Miscellaneous	<u>23,585</u>
Total operating expenses	<u>\$2,087,528</u>
Operating income (loss)	<u>\$ (342,735)</u>
Non-operating revenues:	
Interest	<u>\$ 2,126</u>
Income (loss) before contributions and transfers	\$ (340,609)
Contributions and transfers:	
Contributions	<u>32,188</u>
Change in net position	\$ (308,421)
Net position beginning of year, as restated	<u>3,858,858</u>
Net position end of year	<u><u>\$3,550,437</u></u>

See Notes to Financial Statements.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Statement of Cash Flows
Year Ended September 30, 2015

	<u>2015</u>
Cash Flows from Operating Activities:	
Cash received from rental receipts	\$ 180,854
Cash received from HUD	1,555,758
Cash paid to employees for services	(303,964)
Cash paid to suppliers for goods or services	(380,289)
Cash paid for HAP payments	(1,102,953)
Cash paid for miscellaneous items	(10,495)
Proceeds from tenant security deposits	8
Net cash provided (used) by operating activities	<u>\$ (61,081)</u>
Cash Flows from Capital and Related Financing Activities:	
HUD capital grants received	<u>\$ 32,188</u>
Cash Flows from Investing Activities:	
Purchase of investments	\$ (126,585)
Proceeds from sale of investments	62,259
Interest received	2,110
Purchase of capital assets	(78,001)
Capital improvements	(120,616)
Net cash provided (used) by investing activities	<u>\$ (260,833)</u>
Net increase (decrease) in cash	\$ (289,726)
Cash beginning of year	<u>682,970</u>
Cash end of year	<u>\$ 393,244</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (342,735)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation expense	304,033
Bad debt expense	8,300
Change in assets and liabilities:	
(Increase) decrease in receivables	4,922
(Increase) decrease in prepaid expenses	244
Increase (decrease) in security deposits	1,475
Increase (decrease) in accounts and contracts payable	(4,845)
Increase (decrease) in accrued expenses	2,680
Increase (decrease) in other liabilities	<u>(35,155)</u>
Net cash provided (used) by operating activities	<u>\$ (61,081)</u>

See Notes to Financial Statements.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The North Iowa Regional Housing Authority is a special purpose government organization organized under Iowa Code Chapters 28E, Joint Exercise of Governmental Powers, and 403A, Municipal Housing Projects. The Authority is located in Mason City, Iowa, and serves an eight county area. The Authority has an appointed governing body from the eight county area. The Authority's revenue is generated by rents from their 121 conventional low rent units and an additional 398 Section 8 Housing Choice Voucher units. The Authority is subject to Section 8 Housing Assistance Payments agreements with the U.S. Department of Housing and Urban Development (HUD). The Authority's major program is its Section 8 Housing Choice Voucher Program.

For financial reporting purposes, North Iowa Regional Housing Authority has included all funds, organizations, agencies, boards, commissions and authorities. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Authority. North Iowa Regional Housing Authority has no component units which meet the Governmental Accounting Standards Board criteria.

B. Measurement Focus and Basis of Accounting

The North Iowa Regional Housing Authority maintains its financial records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are user fees and charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities and Net Position

Cash Management and Investments

The Authority maintains two primary demand deposit accounts through which the majority of the Authority's cash resources are processed. The Authority's cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the Authority.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(1) Summary of Significant Accounting Policies - (continued)

Trade Receivables

Trade receivables as of September 30, 2015, are net of \$287 allowance for doubtful accounts.

Restricted Assets

Assets which can be designated by the Board of Commissioners for any use within the Authority's purpose are considered to be unrestricted assets. Assets which are restricted for specific uses by debt requirements, grant provisions, or other requirements are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, and equipment are reported by the Authority. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair-market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings, improvements other than buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures	40 years
Improvements other than buildings	15 years
Equipment	3 to 10 years

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Accrued Expenses

Authority employees earn paid days off (PDO) at rates dependent on years of service. Accumulation of more than 65 days will be forfeited if not used. This liability has been computed based on rates of pay in effect at September 30, 2015.

Since the Authority is a government agency, it does not pay property tax on the public housing properties it owns. The Authority accrues 10% of the dwelling rent less utilities as payment in lieu of taxes (PILOT) to be remitted to each county where property is located. Some counties have agreed to waive the PILOT.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(1) **Summary of Significant Accounting Policies - (continued)**

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the financial statements represent the amount of assets that have been recognized, but the related revenue had not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

(2) **Cash and Investments**

The Authority's deposits in banks at September 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Authority; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(3) Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 915,269	\$ -	\$ -	\$ 915,269
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>\$ 915,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 915,269</u>
Capital assets, being depreciated:				
Buildings and improvements	\$6,738,419	\$ 159,939	\$ 39,322	\$6,859,036
Equipment	259,391	93,685	15,684	337,392
Leasehold improvements	<u>4,674</u>	<u>-</u>	<u>-</u>	<u>4,674</u>
Total capital assets being depreciated	\$7,002,484	\$ 253,624	\$ 55,006	\$7,201,102
Less accumulated depreciation	<u>4,578,866</u>	<u>304,033</u>	<u>55,006</u>	<u>4,827,893</u>
Total capital assets being depreciated, net	<u>\$2,423,618</u>	<u>\$ 50,409</u>	<u>\$ -</u>	<u>\$2,373,209</u>
Total capital assets, net	<u><u>\$3,338,887</u></u>	<u><u>\$ 50,409</u></u>	<u><u>\$ -</u></u>	<u><u>\$3,288,478</u></u>

Depreciation expense charged to operations for the year ended September 30, 2015 was \$304,033.

(4) Pension and retirement benefits

Plan Description. IPERS membership is mandatory for employees of the Authority, except for those covered by another retirement system. Employees of the Authority are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(4) Pension and retirement benefits - (continued)

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the Authority contributed 8.93% for a total rate of 14.88%.

The Authority's total contributions to IPERS for the year ended September 30, 2015 was \$45,443.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(4) Pension and retirement benefits - (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the Authority reported a liability of \$167,085 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Authority's collective proportion was 0.004129% which was a decrease of 0.000156% from its proportion measured as of June 30, 2013.

For the year ended September 30, 2015, the Authority recognized pension expense of \$10,797. At September 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,816	\$ -
Changes in assumptions	7,374	-
Net difference between projected and actual earnings on pension plan investments	-	88,339
Changes in proportion and differences between Authority contributions and proportionate share of contributions	17,416	-
Authority contributions subsequent to the measurement date	<u>45,443</u>	<u>-</u>
Total	<u>\$ 72,049</u>	<u>\$ 88,339</u>

\$45,443 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2016	\$ (15,466)
2017	(15,466)
2018	(15,466)
2019	(15,466)
2020	129
	<u>\$ (61,736)</u>

There were no non-employer contributing entities at IPERS.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(4) Pension and retirement benefits - (continued)

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term Investment rate of return (effective June 30, 1996)	7.5%, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	-0.69
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(4) Pension and retirement benefits - (continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of net pension liability	\$315,702	\$167,085	\$41,636

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At September 30, 2015, the Authority reported payables to the defined benefit pension plan of \$4,276 for legally required employer contributions and \$1,429 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(5) Contingencies

Under terms of federal grants with HUD, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under terms of the grants. Such audits could lead to reimbursement to HUD. Authority management believes disallowances, if any, will be immaterial.

Payroll taxes collected from employees are subject to audit by federal and state governments. Any adjustments in these amounts may constitute a liability of the Authority. The amount of these changes, if any, made by federal or state governments cannot be determined at this time.

(6) Risk Management

The North Iowa Regional Housing Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Authority assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Operating Lease Activity

The Authority leases office space under a five-year lease extension expiring December 31, 2016. Monthly lease payments are \$1,498 plus common area costs estimated at \$721 per month. Lease expense amounted to \$28,949 for the year ended September 30, 2015. Future minimum lease payments under this lease are as follows:

<u>FYE</u>	
2016	\$26,630
2017	6,657
	<u>\$33,287</u>

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(7) Operating Lease Activity - (continued)

The lease agreement allows for one additional term of five years at the current rate.

(8) Current Vulnerability Due to Certain Concentrations

The Authority's operations are concentrated in the multi-family real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

(9) Termination Benefits

As of September 30, 2015, the Authority had no terminated employees participating in continuation of health care coverage available from the Authority. Participants pay 100% of the premium for continuing coverage. Continuation coverage benefits are available for eligible employees for nine months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

(10) Subsequent Events - Date of Management Evaluation

Management has evaluated subsequent events through June 21, 2016, the date on which the financial statements were available to be issued.

(11) New Governmental Accounting Standards Board (GASB) Standards

The Authority has implemented the following GASB standards during the fiscal year ended September 30, 2015:

Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27*; issued June 2012. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The required changes have been made to the Authority's current year financial statements.

Statement No. 69, *Government Combinations and Disposals of Government Operations*; issued January, 2012. The objective of this Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. Guidance is also provided on how to determine the gain or loss on a disposal of government operations and applies to all state and local government entities. The adoption of this Statement has no effect on the Authority in the current year.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*; issued November, 2014. The objective of this statement addresses the issue of amounts associated with contributions made by a state or local government to a defined benefit pension plan after the measurement date of their beginning net pension liability. The required changes have been made to the Authority's current year financial statements.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(11) New Governmental Accounting Standards Board (GASB) Standards - (continued)

The Governmental Accounting Standards Board (GASB) has issued eleven statements not yet implemented by the Authority. The statements, which might impact the Authority are as follows:

Statement 72, *Fair Value Measurement and Application*; issued February 2015, will be effective for the fiscal year ending September 30, 2016. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. Guidance is also provided for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68*; issued June 2015, will be effective for the fiscal year ending September 30, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

Statement 74, *Financial Reporting of Postemployment Benefit Plans Other Than Pension Plans*; issued June 2015, will be effective for the fiscal year ending September 30, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Guidance is provided for OPEB plans that administer benefits on behalf of governments.

Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; issued June 2015, will be effective for the fiscal year ending September 30, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). Guidance addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; issued June 2015, will be effective for the fiscal year ending September 30, 2016. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). Guidance is provided on the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Statement 77, *Tax Abatement Disclosures*; issued August 2015, will be effective for fiscal year ending September 30, 2016. The objective of this Statement is to require governments that enter into tax abatements to disclose information about the agreements within the financial statements. Guidance is provided regarding disclosure of tax abatement information about 1)a reporting government's own tax abatement agreement and 2)those that are entered into by other governments and that reduce the reporting government's tax revenues.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(11) New Governmental Accounting Standards Board (GASB) Standards - (continued)

Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; issued December 2015, will be effective for the fiscal year ending September 30, 2016. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement 68. Guidance is provided to address the applicability of Statement 68 to exclude pensions provided to employees of state or local government employers through a cost-sharing multiple-employer defined benefit pension that that have certain characteristics.

Statement 79, *Certain External Investment Pools and Pool Participants*; issued December 2015, will be effective for the fiscal year ending September 30, 2016. The objective of this Statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

Statement 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*; issued January 2016, will be effective for the fiscal year ending September 30, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. Guidance is provided for the blending requirements for the financial statement presentation of component units of all state and local governments.

Statement 81, *Irrevocable Split-Interest Agreements*; issued March 2016, will be effective for the fiscal year ending September 30, 2017. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Guidance is provided for governments that receive resources pursuant to an irrevocable split-interest agreement.

Statement 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No.73*; issued March 2016, will be effective for the fiscal year ending September 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements 67, 68, and 73. Guidance addresses issues regarding 1)the presentation of payroll-related measures in required supplementary information, 2)the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 3)the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The Authority's management has not yet determined the effect these statements will have on the Authority's financial statements.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Financial Statements
September 30, 2015

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Total</u>
Net position September 30, 2014 as previously reported	\$4,076,882
Net pension liability at September 30, 2014	(242,642)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>24,618</u>
Net position October 1, 2014 (as restated)	<u><u>\$3,858,858</u></u>

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Housing Authority's Proportionate Share of Net Pension Liability
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Fiscal Year*

	<u>2015</u>
Authority's proportion of the net pension liability (asset)	0.004129%
Authority's proportionate share of the net pension liability	\$167,085
Authority's covered-employee payroll	305,397
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.00%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Housing Authority Contributions
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last 9 Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 27,272	\$ 24,895	\$ 23,992	\$ 23,777
Contributions in relation to the statutorily required contribution	<u>(27,272)</u>	<u>(24,895)</u>	<u>(23,992)</u>	<u>(23,777)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$305,397	\$278,783	\$274,480	\$290,713
Contributions as percentage of covered-employee payroll	8.93%	8.93%	8.74%	8.18%

See accompanying independent auditor's report.

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 21,539	\$ 17,704	\$ 16,788	\$ 14,686	\$ 14,469
<u>(21,539)</u>	<u>(17,704)</u>	<u>(16,788)</u>	<u>(14,686)</u>	<u>(14,469)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$297,489	\$263,381	\$261,518	\$240,901	\$248,649
7.24%	6.72%	6.42%	6.10%	5.82%

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Required Supplementary Information - Pension Liability
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
September 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Notes to Required Supplementary Information - Pension Liability
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
September 30, 2015

Changes of assumptions - (continued)

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
<u>Federal Awards</u>			
Direct:			
Department of Housing and Urban Development:			
Public and Indian Housing	14.850	IA000000115D	\$ 203,012
Public and Indian Housing	14.850	IA000000114D	64,337
Section 8 Housing Choice Vouchers	14.871	IA127VO	1,286,612
Public Housing Capital Fund:			
Fiscal Year 2015	14.872	IA05P127501-15	<u>32,188</u>
Total federal expenditures			<u>\$1,586,149</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Iowa Regional Housing Authority. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA
John C. Olson, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
North Iowa Regional Housing Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Iowa Regional Housing Authority, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise North Iowa Regional Housing Authority's basic financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Iowa Regional Housing Authority's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Iowa Regional Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Iowa Regional Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Iowa Regional Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Knorrage & Olson, P.C.

Charles City, Iowa

June 21, 2016



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA
John C. Olson, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners
North Iowa Regional Housing Authority:

Report on Compliance for Each Major Federal Program

We have audited North Iowa Regional Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on North Iowa Regional Housing Authority's major federal program for the year ended September 30, 2015. North Iowa Regional Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for North Iowa Regional Housing Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Iowa Regional Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of North Iowa Regional Housing Authority's compliance.

Opinion of Each Major Federal Program

In our opinion, North Iowa Regional Housing Authority complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of North Iowa Regional Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Iowa Regional Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Iowa Regional Housing Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we reported to management of North Iowa Regional Housing Authority in a separate letter dated June 21, 2016.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kronlage & Olson, P.C.

Charles City, Iowa

June 21, 2016

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was given on the financial statements.
- (b) The audit did not disclose any deficiencies in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit did not disclose any deficiencies in internal control over the major program.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the Authority's major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Programs tested as major programs were as follows:
 - CFDA Number 14.871 - Section 8 Housing Choice Vouchers
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The Authority qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no prior year or current year instances of noncompliance identified.

MATERIAL WEAKNESSES:

There were no prior year or current year material weaknesses identified.

Part III: Findings and Questioned Costs for Federal Awards:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Section 8 Housing Choice Voucher - CFDA 14.871

INSTANCES OF NONCOMPLIANCE:

There were no current year instances of noncompliance identified.

MATERIAL WEAKNESSES:

There were no current year material weaknesses identified.

NORTH IOWA REGIONAL HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Part IV: Summary Schedule of Prior Audit Findings:

There were no prior year audit findings.

Part V: Other Findings Related to Required Statutory Reporting:

- 2015-001 Official Depositories - A resolution naming official depositories has been approved by the Authority.
- 2015-002 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 2015-003 Travel Expense - No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted. No travel advances to Authority officials or employees were noted.
- 2015-004 Business Transactions - There were no business transactions between the Authority and Authority officials or employees.
- 2015-005 Bond Coverage - Surety bond coverage of Authority officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 2015-006 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Authority's investment policy.
- 2015-007 Authority Minutes - No transactions were found that we believe should have been approved in the Authority minutes but were not.

**NORTH IOWA REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2015**

FDS Line Item Number	Account Description	Low- Rent Public Housing 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872	Business Account	Total
111	Cash - Unrestricted	275,039	94,508	-	1,505	371,052
113	Cash - Restricted	-	15,009	-	-	15,009
114	Cash - Tenant Security Deposits	30,038	-	-	-	30,038
100	Total Cash	305,077	109,517	-	1,505	416,099
126	Accounts Receivable - Tenants	2,857	-	-	-	2,857
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(287)	-	-	-	(287)
129	Interest Receivable	16	-	-	-	16
120	Total Receivables, Net of Allowances for Doubtful Accounts	2,586	-	-	-	2,586
131	Investments - Unrestricted	103,730	-	-	-	103,730
132	Investments - Restricted	-	-	-	-	-
142	Prepaid Expenses & Other Assets	10,331	7,251	-	-	17,582
150	Total Current Assets	421,724	116,768	-	1,505	539,997
161	Land	915,268	-	-	-	915,268
162	Buildings	6,859,036	-	-	-	6,859,036
163	Furniture, Equipment & Machinery - Dwellings	254,939	-	-	-	254,939
164	Furniture, Equipment & Machinery - Administration	82,454	-	-	-	82,454
165	Leasehold Improvements	4,674	-	-	-	4,674
166	Accumulated Depreciation	(4,827,893)	-	-	-	(4,827,893)
167	Construction in Progress	-	-	-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	3,288,478	-	-	-	3,288,478
180	Total Non-Current Assets	3,288,478	-	-	-	3,288,478
200	Deferred Outflow of Resources	44,668	27,378	-	-	72,046
290	Total Assets and Deferred Outflow of Resources	3,754,870	144,146	-	1,505	3,900,521
312	Accounts Payable <=90 Days	10,723	-	-	-	10,723
321	Accrued Wage/Payroll Taxes Payable	7,616	3,510	-	-	11,125
322	Accrued Compensated Absences - Current Portion	5,409	3,155	-	-	8,565
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-
	HAP Interest Earned - Payable to HUD	-	-	-	-	-
333	Accounts Payable - Other Governments (PILOT)	-	-	-	-	-
	PILOT	8,106	-	-	-	8,106
341	Tenant Security Deposits	31,250	-	-	-	31,250
342	Deferred Revenues	-	-	-	-	-
	Prepaid Rents	1,693	-	-	-	1,693
	Excess HAP funding received from HUD	-	-	-	-	-
345	Other Current Liabilities	1,815	-	-	-	1,815
347	Interprogram Due To	-	-	-	-	-
310	Total Current Liabilities	66,613	6,665	-	-	73,278
354	Accrued Compensated Absences - Non-current Portion	11,670	9,712	-	-	21,382
357	Net Pension Liability	103,593	63,492	-	-	167,085
350	Total Non-current Liabilities	115,263	73,204	-	-	188,467
300	Total Liabilities	181,876	79,869	-	-	261,745
400	Deferred Inflow of Resources	54,770	33,569	-	-	88,339
600	Total Liabilities and Deferred Inflow of Resources	236,646	113,438	-	-	350,084
508.4	Net Investment in Capital Assets	3,288,478	-	-	-	3,288,478
511.4	Restricted Net Position	-	15,009	-	-	15,009
512.1	* Unrestricted Net Position	229,746	15,699	-	1,505	246,950
513	Total Equity/Net Assets/Position	3,518,224	30,708	-	1,505	3,550,437
600	Total Liabilities, Deferred Inflow of Resources & Equity -Net Assets/Position	3,754,870	144,146	-	1,505	3,900,521

**NORTH IOWA REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2015**

FDS Line Item Number	Account Description	Low- Rent Public Housing 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872	Business Account	Total
70300	Net Tenant Rental Revenue	171,612	-	-	-	171,612
70400	Tenant Revenue - Other	11,523	-	-	-	11,523
70500	Total Tenant Revenue	183,135	-	-	-	183,135
70600	HUD PHA Operating Grants	269,146	1,286,612	-	-	1,555,758
	Operating Subsidy	269,146	-	-	-	269,146
	Housing Assistance Payments	-	1,075,820	-	-	1,075,820
	Administrative Fees	-	210,792	-	-	210,792
70610	Capital Grants	-	-	32,188	-	32,188
71100	Investment Income - Unrestricted	1,797	329	-	-	2,126
71400	Fraud Recovery	-	941	-	-	941
	NIRHA Portion	-	470	-	-	470
	HUD (HAP) Portion	-	470	-	-	470
71500	Other Revenue	4,320	639	-	-	4,959
	Port-in Administrative Fees	-	174	-	-	174
	Port-in HAPs	-	465	-	-	465
71600	Gain/Loss on Sale of Fixed Assets	-	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-	-
70000	Total Revenue	458,398	1,288,521	32,188	-	1,779,107
91100	Administrative Salaries	141,535	95,610	-	-	237,145
91200	Auditing Fees	3,900	3,900	-	-	7,800
91500	Employee Benefit Contributions - Administrative	33,052	14,726	-	-	47,778
91600	Office Expenses	29,174	58,056	-	-	87,230
91700	Legal Expense	4,324	5,250	-	-	9,574
91800	Travel	2,226	1,860	-	-	4,086
91000	Total Operating - Administrative	214,211	179,402	-	-	393,613
92400	Tenant Services - Other	1,815	-	-	-	1,815
92500	Total Tenant Services	1,815	-	-	-	1,815
93100	Water	3,168	-	-	-	3,168
93200	Electricity	14,559	-	-	-	14,559
93300	Gas	8,029	-	-	-	8,029
93600	Sewer	5,099	-	-	-	5,099
93000	Total Utilities	30,855	-	-	-	30,855
94100	Ordinary Maintenance & Operations - Labor	69,499	-	-	-	69,499
94200	Ordinary Maintenance & Operations - Materials & Other	31,994	-	-	-	31,994
94300	Ordinary Maintenance & Operations - Contract Costs	72,783	-	-	-	72,783
	Garbage and Trash Removal	5,211	-	-	-	5,211
	Heating and Cooling	4,718	-	-	-	4,718
	Snow Removal	6,808	-	-	-	6,808
	Elevator Maintenance	2,453	-	-	-	2,453
	Landscape and Grounds	16,843	-	-	-	16,843
	Unit Turnaround	13,217	-	-	-	13,217
	Electrical	-	-	-	-	-
	Plumbing	4,403	-	-	-	4,403
	Extermination	3,773	-	-	-	3,773
	Janitorial	3,900	-	-	-	3,900
	Routine Maintenance	8,517	-	-	-	8,517
	Miscellaneous Contracts	2,940	-	-	-	2,940
94500	Employee Benefit Contributions - Ordinary Maintenance	17,081	-	-	-	17,081
94000	Total Maintenance	191,357	-	-	-	191,357
96110	Property Insurance	18,805	720	-	-	19,525
96120	Liability Insurance	3,157	2,908	-	-	6,065
96130	Workmen's Compensation	2,657	1,757	-	-	4,414
96140	All Other Insurance	-	-	-	-	-
96100	Total Insurance premiums	24,619	5,384	-	-	30,003

**NORTH IOWA REGIONAL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 2015**

FDS Line Item Number	Account Description	Low- Rent Public Housing 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872	Business Account	Total
96200	Other General Expenses	15,479	-	-	-	15,479
96210	Compensated Absences	1,085	(71)	-	-	1,014
96300	Payments in Lieu of Taxes	8,106	-	-	-	8,106
96400	Bad Debts - Tenant Rents	8,300	-	-	-	8,300
96000	Total Other General Expenses	32,970	(71)	-	-	32,899
96900	Total Operating Expenses	495,827	184,715	15	-	680,572
97000	Excess Operating Revenue Over Operating Expenses	(37,430)	1,103,806	32,173	-	1,098,535
97300	Housing Assistance Payments	-	1,102,488	-	-	1,102,488
97300-040	Tenant Protection	-	14,002	-	-	14,002
97300-041	Portability Out	-	161,594	-	-	161,594
97300-050	All Other	-	926,892	-	-	926,892
97350	HAP Portability In	-	465	-	-	465
97400	Depreciation Expense	304,033	-	-	-	304,033
90000	Total Expenses	799,861	1,287,667	15	-	2,087,558
10010	Operating Transfers In	32,188	-	-	-	32,188
10020	Operating Transfers Out	-	-	32,188	-	32,188
10070	Extraordinary Items (Net Gain/Loss)	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	32,188	-	(32,188)	-	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Total Expenses	(309,275)	854	(15)	-	(308,451)
Memo Account Information:						
11020	* Required Annual Debt Principal Payments	-	-	-	-	-
11030	* Beginning Equity	3,962,674	112,703	-	1,505	4,076,882
11040	Prior Period Adjustments, Equity Transfers & Correction of Errors	(135,175)	(82,849)	-	-	-
	Transfer in from CFP	-	-	-	-	-
	Transfer out of CFP	-	-	-	-	-
	Rounding adjustment	-	-	-	-	-
11170-001	Administrative Fee Equity - Beginning Balance	-	71,497	-	-	-
11170-010	Administrative Fee Revenue	-	210,792	-	-	-
11170-020	Hard to House Fee Revenue	-	-	-	-	-
11170-040	Investment Income	-	329	-	-	-
11170-045	Fraud Recovery Revenue	-	470	-	-	-
11170-050	Other Revenue	-	174	-	-	-
11170-051	Comment for Other Administrative Revenue Port-in admin fees	-	-	-	-	-
11170-060	Total Admin Fee Revenues	-	211,766	-	-	-
11170-080	Total Operating Expenses	-	184,715	-	-	-
11170-095	Housing Assistance Payment Portability	-	465	-	-	-
11170-110	Total Expenses	-	184,715	-	-	-
11170-002	Net Administrative Fee	-	27,051	-	-	-
11170-003	Administrative Fee Equity - Ending Balance	-	15,699	-	-	-
11170	Administrative Equity	-	15,699	-	-	-
11180	Housing Assistance Payments Equity	-	15,009	-	-	-
11190	* Unit Months Available	1,452	4,776	-	-	-
11210	* Number of Unit Months Leased	1,346	4,376	-	-	-
11610	* Land Purchases	-	-	-	-	-
11620	* Building Purchases	-	-	-	-	-
11630	* Furniture & Equipment - Dwelling Purchases	-	-	-	-	-
11640	* Furniture & Equipment - Administrative Purchases	-	-	-	-	-
11650	* Leasehold Improvements Purchases	-	-	-	-	-
11660	* Infrastructure Purchases	-	-	-	-	-
13510	* CFFP Debt Service Payments	-	-	-	-	-
13901	* Replacement Housing Factor Funds	-	-	-	-	-
* Required Information						